

Message Text

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13/20

ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 OMB-01 AID-20 EB-11 CIEP-02 TRSE-00

STR-08 CEA-02 SCEM-02 SCI-06 INT-08 IO-14 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 SAB-01 DRC-01

/230 W

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R 150750Z DEC 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8306

INFO AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY TOKYO

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 4345

C O R R E C T E D C O P Y MRN (4345 VICE 47'5)

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: AMINOIL - GOK NEGOTIATIONS

1. WHILE GOK-KUWAIT OIL COMPANY PARTICIPATION TALKS HAVE BEEN STEALING THE HEADLINES, NEGOTIATIONS HAVE ALSO BEEN UNDERWAY DURING LAST SEVERAL DAYS BETWEEN GOK AND AMINOIL. ACCORDING SENIOR AMINOIL OFFICIAL, BOK NOT RPT NOT ASKING FOR PARTICIPATION BUT KUWAITI OFFICIALS PRESSING FOR APPLICATION NEW OPEC POSTED PRICES RETROACTIVELY TO JANUARY 1, 1973. IN EFFECT THIS AMOUNTS TO SUBSTANTIAL RETROACTIVE INCREASE IN TAXES APPLIED WITHOUT PREVIOUS NOTICE FOLLOWING MID-OCTOBER DECISION OPEC GULF PRODUCERS RAISE POSTED PRICES 70 PERCENT.

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2. AMINOIL, OF COURSE, STRONGLY RESISTING SINCE SUCH TAX INCREASES WOULD WIPE OUT COMPANY'S ALREADY VERY MODEST PROFITS. INTRONICALLY, ACCORDING AMINOIL SOURCE, 1973 HAD BEEN BEST YEAR EVER FOR COMPANY UNTIL OCTOBER PRODUCTION CUTS INSTITUTED. PRESENTLY COMPANY OPERATING AT ABOUT 52,000 BPD LEVEL, ABOUT 30 PERCENT BELOW NORMAL PRODUCTION.

3. COMPANY OFFICIAL AGREED WITH EMBOFF THAT EXTREME GOK POSITION MAY SIMPLY BE OPENING BARGAINING GAMBIT. SO FAR NEGOTIATIONS HAVE BEEN CARRIED OUT AT SUB-MINISTERIAL LEVEL, AND MINISTER FINANCE AND OIL OR PRIME MINISTER MAY TAKE MORE CONSERVATIVE STANCE. STILL, AMINOIL OFFICIALS ARE WORRIED BY GOK'S UNEXPECTEDLY HARD LINE AND AMINOIL NEGOTIATORS HERE NOW ARE LED BY COMPANY PRESIDENT SUNDERLAND.

4. COMMENT: AMINOIL, WHICH HAS BEEN PLAGUED BY LABOR STRIFE MOST OF YEAR BUT WHICH RECENTLY SIGNED THREE YEAR ACCORD WITH UNION, NOW FACING DIFFERENT BUT EQUALLY SERIOUS CHALLENGE. NEGOTIATIONS HAD BEEN ALMOST CONCLUDED WITH GOK LAST JULY AND COMPANY SURPRISED BY INTRODUCTION SIGNIFICANT NEW DEMANDS BY GOK. CURRENT TALKS ARE TAKING PLACE AT SAME TIME AS PARTICIPATION NEGOTIATIONS WITH KOC UND WHILE DEMANDS FOR TOTAL NATIONALIZATION OF AMINOIL BEING HEARD IN NATIONAL ASSEMBLY.

5. AMINOIL NEGOTIATIONS MAY BE SUI GENERIS, DHT IT POSSIBLE IF GOK PREVAILS IN OBTAINING AT LEAST SOME RETROACTIVE APPLICATION NEW POSTED PRICES THAT THESE NEGOTIATIONS WILL SET PRECEDENT FOR KUWAIT/SAUDI NEGOTIATIONS WITH JAPANESE OWNED ARABIAN OIL COMPANY OR FOR SAUDI NEGOTIATIONS WITH GETTY, WHICH SHARES NEUTRAL ZONE WAFRA FIELD WITH AMINOIL.

6. HOPE TO HAVE MORE DEFINITIVE REPORT ON AMINOIL NEGOTIATIONS SOON.
STOLTZFUS

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